

EMBARGOED UNTIL 01:01 UK (00:01 UTC) 10 June 2019

## Royal Bank of Scotland PMI®

### Scottish private sector dips back into contraction in May

- **Decline in output driven by service sector weakness**
- **New orders fall for fifth time in six months**
- **Business confidence remains subdued**

According to the latest Royal Bank of Scotland PMI®, private sector output in Scotland declined during May for fifth time in the six months, reversing the modest pick-up in activity seen in April. New orders also declined, but intensified cost pressures led companies to raise selling prices at a quicker pace. Operating expenses were driven higher by labour costs, as firms continued to expand their workforces.

The seasonally adjusted headline Royal Bank of Scotland Business Activity Index - a measure of combined manufacturing and service sector output - fell to 48.9 in May, from 51.0 in April, signalling a reduction in private sector activity, the fifth in the past six months.

The decline reflected contraction at service providers, as manufacturers recorded a marginal expansion in production. Relative to other areas of the UK, only Northern Ireland observed a quicker fall in output than Scotland.

Aggregate new order intakes decreased in Scotland during May, reflecting weak market confidence and sluggish demand from overseas. Both manufacturers and service providers registered lower sales, with the former leading the decline. Although the fall in demand was only marginal, it was a stark contrast to the robust growth rates seen throughout 2018.

Softer demand conditions enabled firms to work through outstanding business in May, reducing backlogs for the eighth month in succession. Furthermore, the rate of depletion was the fastest since November 2018.

Despite latest data indicating greater spare capacity in Scotland's private sector, employment increased for a fifteenth straight month. That said, the rate of job creation was modest.

Latest survey data revealed upward trends for inflation in May, as output prices and input costs both increased at stronger rates.

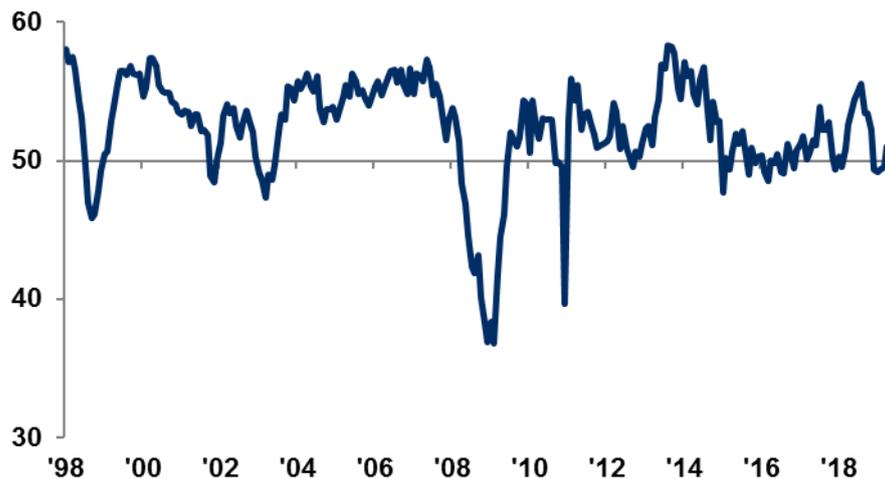
# News Release

Input prices increased at the quickest pace since last October, which firms linked to greater labour expenses arising from higher staffing levels and greater salaries. Firms looked to share greater cost burdens with their clients by raising selling charges in May. The rate of output price inflation hit a one-year high and was solid overall.

Scottish businesses anticipate output to rise over the coming year, but the degree of confidence remained subdued by historical standards, lagging behind the UK average. Brexit concerns and forecasts of weaker growth of Scotland's economy weighed on sentiment.

## Scotland Business Activity Index

sa, >50 = growth since previous month



Source: Royal Bank of Scotland, IHS Markit

# News Release

## COMMENT

**Malcolm Buchanan**, Chair, Scotland Board, Royal Bank of Scotland, commented:

*“Private sector business activity was dragged back into contraction by a weaker service sector in May, reversing the rebound seen in this part of the economy which helped reinstate overall growth in Scotland in April.*

*“For the fifth time in six months, new orders fell. Panellists attributed order book contraction to weak overseas demand and reduced confidence within the local economy.*

*“Brexit-related concerns and fears of slowing economic growth north of the border remained prominent, ultimately keeping business confidence subdued and below the UK average.”*

**ENDS**

## For more information

### Royal Bank of Scotland

Noel Davies  
Regional PR Manager  
07970 332 895  
noel.davies@rbs.co.uk

### IHS Markit

Joe Hayes  
Economist  
Telephone +44 1491 461 006  
Email: joseph.hayes@ihsmarkit.com

Joanna Vickers  
Corporate Communications  
Telephone +44207 260 2234  
Email joanna.vickers@ihsmarkit.com

# News Release

## Notes to Editors

### Methodology

The Royal Bank of Scotland PMI<sup>®</sup> is compiled by IHS Markit from responses to questionnaires sent to a panel of around 500 manufacturers and service providers. The panel is stratified by detailed sector and company workforce size, based on contributions to GDP.

Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each survey variable, for the manufacturing and services sectors. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses. The indices vary between 0 and 100, with a reading above 50 indicating an overall increase compared to the previous month, and below 50 an overall decrease. The indices are then seasonally adjusted. Comparable manufacturing and services indices are then weighted together to form a composite index, with the weights based on official value added data.

The headline figure is the Business Activity Index. This is a composite index calculated by weighting together the Manufacturing Output Index and the Services Business Activity Index. The Scotland Business Activity Index is comparable to the UK Composite Output Index. It is sometimes referred to as the 'Scotland PMI', but is not comparable with the headline UK Manufacturing PMI figure.

Underlying survey data are not revised after publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series.

For further information on the PMI survey methodology, please contact [economics@ihsmarkit.com](mailto:economics@ihsmarkit.com).

### About PMI

Purchasing Managers' Index<sup>®</sup> (PMI<sup>®</sup>) surveys are now available for over 40 countries and also for key regions including the eurozone. They are the most closely watched business surveys in the world, favoured by central banks, financial markets and business decision makers for their ability to provide up-to-date, accurate and often unique monthly indicators of economic trends. To learn more go to [ihsmarkit.com/products/pmi.html](http://ihsmarkit.com/products/pmi.html).

### About IHS Markit

IHS Markit (Nasdaq: INFO) is a world leader in critical information, analytics and solutions for the major industries and markets that drive economies worldwide. The company delivers next-generation information, analytics and solutions to customers in business, finance and government, improving their operational efficiency and providing deep insights that lead to well-informed, confident decisions. IHS Markit has more than 50,000 business and government customers, including 80 percent of the Fortune Global 500 and the world's leading financial institutions. IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates. All other company and product names may be trademarks of their respective owners © 2019 IHS Markit Ltd. All rights reserved.

### Disclaimer

The intellectual property rights to the Royal Bank of Scotland PMI<sup>®</sup> provided herein are owned by or licensed to IHS Markit and/or its affiliates. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without IHS Markit's prior consent. IHS Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall IHS Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. Purchasing Managers' Index<sup>®</sup> and PMI<sup>®</sup> are either registered trade marks of Markit Economics Limited or licensed to Markit Economics Limited. Royal Bank of Scotland uses the above marks under licence. IHS Markit is a registered trademark of IHS Markit Limited. and/or its affiliates.